

Media Release

Association for Savings and Investment South Africa (ASISA)

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Fundisa pays R390 000 reward to parents who save

The savings efforts of the 2 733 parents or sponsors who have been making use of the Fundisa Fund to save for a child's tertiary education have just seen their savings efforts enhanced by close on R390 000. Making this bonus payment even more attractive is the fact that it comes in addition to the 8.2% return achieved by the Fundisa unit trust fund since its inception a year ago.

Charmaine Soobramoney, General Manager at the Association for Savings and Investment South Africa (ASISA), says this translates into a 33% return on investments of R2 400 and less. Only the first R2 400 invested in the Fundisa Fund every year qualifies for the bonus payment.

The Fundisa Fund was launched in November last year and is a joint initiative by the collective investment schemes (unit trust) industry and the Department of Education. The fund was launched to encourage parents to save for their children's higher education.

Soobramoney says the first bonus payment was made from the R34-million committed by the Government and the collective investment schemes industry to the Fundisa Fund, which attracted just more than R2.5-million in its first year.

“Given the poor savings track record of South Africans, we realised that a serious incentive would be needed if we were going to encourage parents to save for their children's tertiary education. Saving to educate grown children beyond school takes a serious long-term commitment. For this reason the Minister of Education and the savings and investment industry decided to throw in an attractive sweetener: R1 for every R4 saved to a maximum of R600 per learner.”

Soobramoney explains that this means that parents or sponsors who invest in the Fundisa Fund for a child's education will have their investment enhanced by 25% every year to a maximum of R600 per learner. This means, a parent who saves R200 each month for one year, will see the R2 400 saved grow by R600 to R3 000. Furthermore, the R3 000 will also share in the overall investment return achieved by the fund.

However, to ensure that the money saved in the Fundisa Fund is actually used to pay for a child's education, the bonus payment (or a portion of it) falls away if the investment is withdrawn. The bonus payments received can only ever be used to pay for a child's education at a Government recognized institution. Investors can, however, withdraw their savings together with the normal returns on the capital at any time.

The Fundisa Fund is a low-risk fixed interest income fund of funds managed by STANLIB. This means the fund only invests in fixed interest income unit trust funds, which in turn invest in bonds, fixed deposits and other interest earning securities.

Soobramoney says thus far the response from consumers has been a little disappointing, but understandable given the current tough economic conditions.

“We had hoped that the 25% bonus payment would attract more investors. But hopefully news of the first bonus payment will encourage more parents to start saving.”

She says what is encouraging is that many of the children who were listed as beneficiaries over the past year are between the ages of one and three. “This shows that parents are starting to save while their children are still young, which gives them a far greater chance of accumulating enough money to pay for a decent tertiary education in later years.”

She says the average monthly debit order amounted to R100 over the past year – quite a bit more than the R40 required. “But we have also noticed a fair number of R200 a month debit orders,” comments Soobramoney.

The fund is being marketed by the savings and investment industry under the Financial Sector Charter designed to make affordable financial products available to all. While it aims to encourage lower income groups to save for their children’s education, anyone can invest and receive the 25% bonus.

The Fundisa Fund is open to investors wanting to save for the higher education of a South African citizen or permanent resident. A minimum investment of R40 is required. The investor can then choose to pay R40 or more every month or top up the investment when money becomes available.

An annual fee of no more than 1.25% (excl VAT) applies, which is taken from the return earned on the money invested. A maximum initial fee of 1% (excl VAT) may be charged, but only if the investment is made with the help of an independent financial adviser. Currently if the investment is made directly with Standard Bank, Nedbank, or ABSA (the three companies currently offering the fund), or any of their agents, no initial fee is payable.

Soobramoney says anyone can decide to invest in the Fundisa Fund on behalf of a child. “Investors do not need to be related to the learner being sponsored. Also, should the child decide not to study at a tertiary institution, the benefits can be switched to another child. The funds must, however, be used before the learner turns 35.”

She says the mechanics of the fund are simple. When the learner is about to study at an institution, the unit trust company will issue a certificate. The learner takes this certificate to the institution, which then receives payment from the National Student Financial Aid Scheme on presentation of the certificate.

More information is available from the Fundisa web site at www.fundisa.org.za.

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ASISA represents the majority of South Africa's asset managers, collective investment scheme management companies, linked investment service providers, multi-managers, and life insurance companies. ASISA was formed in 2008 by members of the Association of Collective Investments (ACI), the Investment Management Association of South Africa (IMASA), the Linked Investment Service Providers Association (LISPA) and the Life Offices' Association (LOA).